AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C.
AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018 (UNAUDITED)

AL KOUT INDUSTRIAL PROJECTS COMPANY K.P.S.C. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)
For the period from 1 January to 30 June 2018

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Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of Al Kout Industrial Projects Company K.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2018, and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended. The Parent Company's Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim financial reporting'.

Independent auditors' report on review of interim condensed consolidated financial information to the Board of Directors of Al Kout Industrial Projects Company K.P.S.C. (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, nothing has come to our attention indicating that the interim condensed consolidated financial information is not in agreement with the books of accounts of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies' Law No. 1 of 2016, its executive bylaws, provision of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, nor of the parent company's articles and memorandum of association during the six month period ended 30 June 2018 that might have had a material effect on the business of the group or on its consolidated financial position.

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14 August 2018
Kuwait

Al Kout Industrial Projects Company K.P.S.C. and its Subsidiaries

Interim condensed consolidated statement of financial position
(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment		**15,143,275**	15,520,718	17,062,261
Investment in an associate	5	**6,882,422**	9,432,875	9,084,766
Goodwill	6	**4,937,402**	-	-
Available-for-sale financial asset		**-**	1,569,347	1,747,762
Financial asset at fair value through profit or loss		**1,431,661**	-	-
		28,394,760	26,522,940	27,894,789
Current assets				
Inventories	7	**2,823,046**	1,494,505	1,773,912
Trade and other receivables	8	**9,135,933**	7,003,206	8,776,885
Cash and bank balances	9	**656,546**	2,608,676	1,236,915
		12,615,525	11,106,387	11,787,712
Total assets		**41,010,285**	37,629,327	39,682,501
Liabilities				
Non-current liabilities				
Post-employment benefits		**2,233,183**	1,948,118	1,838,101
Murabaha facility	12	**5,000,000**	-	3,000,000
		7,233,183	1,948,118	4,838,101
Current liabilities				
Trade and other payables	11	**4,014,305**	3,038,219	3,272,239
Term loan	12	**1,000,000**	-	1,000,000
Bank overdraft	9	**347,102**	-	230,134
		5,361,407	3,038,219	4,502,373
Total liabilities		**12,594,590**	4,986,337	9,340,474
Equity				
Share capital	10	**10,090,080**	10,090,080	10,090,080
Statutory reserve		**5,186,422**	5,186,422	5,186,422
Voluntary reserve		**5,148,415**	5,148,415	5,148,415
Share of an associate's reserves		**(2,691,206)**	304,072	283,009
Foreign currency translation reserve		**534,211**	527,064	546,362
Fair value reserve		**-**	(162,097)	16,318
Retained earnings		**10,147,773**	11,549,034	9,071,421
Total equity		**28,415,695**	32,642,990	30,342,027
Total equity and liabilities		**41,010,285**	37,629,327	39,682,501

Fahed Y. Al-Jouan
Chairman

The accompanying notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of income

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Revenue		**7,227,579**	5,894,055	**14,300,029**	11,039,841
Cost of sales of goods	13	**(4,958,445)**	(3,261,273)	**(8,799,895)**	(6,029,018)
Gross profit		**2,269,134**	2,632,782	**5,500,134**	5,010,823
Selling and distribution expenses	13	**(227,942)**	(149,986)	**(377,967)**	(339,712)
General and administrative expenses	13	**(627,743)**	(613,912)	**(1,342,494)**	(1,016,368)
Other income	14	**107,551**	76,851	**137,427**	128,407
Other gains / (losses)		**54,981**	26,135	**(123,577)**	50,539
Operating profit		**1,575,981**	1,971,870	**3,793,523**	3,833,689
Finance costs		**(53,765)**	(22,159)	**(95,919)**	(27,460)
Share of results of an associate	5	**136,210**	140,231	**184,982**	147,848
Profit before provisions for Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' remuneration		**1,658,426**	2,089,942	**3,882,586**	3,954,077
KFAS		**(15,222)**	(19,497)	**(36,976)**	(38,062)
NLST		**(39,436)**	(52,926)	**(95,738)**	(100,503)
Zakat		**(15,775)**	(19,768)	**(37,808)**	(38,723)
Board of Directors' remuneration		**(21,870)**	(17,500)	**(43,745)**	(35,000)
Profit for the period		**1,566,123**	1,980,251	**3,668,319**	3,741,789
Earnings per share (basic and diluted) (fils)	15	**15.52**	19.63	**36.36**	37.08

The accompanying notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income
(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Profit for the period	**1,566,123**	1,980,251	**3,668,319**	3,741,789
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to interim condensed consolidated statement of income				
Share of an associate's reserves	**(6,091)**	-	**12,178**	-
Foreign exchange translation adjustments	**37,338**	(27,103)	**7,147**	(55,359)
Change in fair value of available-for-sale financial asset	**-**	(17,632)	**-**	(17,632)
Other comprehensive income / (loss) for the period	**31,247**	(44,735)	**19,325**	(72,991)
Total comprehensive income for the period	**1,597,370**	1,935,516	**3,687,644**	3,668,798

Interim condensed consolidated statement of changes in equity

(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Share capital	Statutory reserve	Voluntary reserve	Share of an associate's reserves	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2017	**10,090,080**	**5,186,422**	**5,148,415**	**283,009**	**601,721**	**33,950**	**10,374,672**	**31,718,269**
Profit for the period	-	-	-	-	-	-	3,741,789	3,741,789
Other comprehensive loss for the period	-	-	-	-	(55,359)	(17,632)	-	(72,991)
Total comprehensive (loss) / income for the period	-	-	-	-	**(55,359)**	**(17,632)**	**3,741,789**	**3,668,798**
Dividends paid (note 19)	-	-	-	-	-	-	(5,045,040)	(5,045,040)
Balance at 30 June 2017 (Unaudited)	**10,090,080**	**5,186,422**	**5,148,415**	**283,009**	**546,362**	**16,318**	**9,071,421**	**30,342,027**
Balance at 1 January 2018	**10,090,080**	**5,186,422**	**5,148,415**	**304,072**	**527,064**	**(162,097)**	**11,549,034**	**32,642,990**
Impact of adoption of IFRS 9 at 1 January 2018 (note 3)	-	-	-	(3,007,456)	-	162,097	(24,540)	(2,869,899)
Balance at 1 January 2018	**10,090,080**	**5,186,422**	**5,148,415**	**(2,703,384)**	**527,064**	**-**	**11,524,494**	**29,773,091**
Profit for the period	-	-	-	-	-	-	3,668,319	3,668,319
Other comprehensive income for the period	-	-	-	12,178	7,147	-	-	19,325
Total comprehensive income for the period	-	-	-	**12,178**	**7,147**	-	**3,668,319**	**3,687,644**
Dividends paid (Note 19)	-	-	-	-	-	-	(5,045,040)	(5,045,040)
Balance at 30 June 2018 (Unaudited)	**10,090,080**	**5,186,422**	**5,148,415**	**(2,691,206)**	**534,211**	**-**	**10,147,773**	**28,415,695**

The accompanying notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows
(All amounts in Kuwaiti Dinars unless indicated otherwise)

	Note	Six months ended 30 June 2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities			
Profit for the period before taxes and Board of Directors' remuneration		**3,882,586**	3,954,077
Adjustments for:			
Depreciation		**1,576,241**	1,604,172
Loss on sale of property, plant and equipment	14	**1,875**	-
Share of results of an associate	5	**(184,982)**	(147,848)
Provision for post-employment benefits		**173,185**	146,618
Fair value loss on financial asset at fair value through profit or loss		**137,686**	-
Dividends income	14	**(53,250)**	(54,695)
Finance costs		**95,919**	27,460
		5,629,260	5,529,784
Changes in working capital			
Inventories		**(568,387)**	(101,263)
Trade and other receivables		**(910,988)**	(1,979,942)
Trade and other payables		**83,979**	470,523
Cash generated from operations		**4,233,864**	3,919,102
KFAS paid		**(61,257)**	(58,723)
NLST paid		**(169,417)**	(158,349)
ZAKAT paid		**(37,959)**	(60,170)
Post-employment benefits paid		**(90,024)**	(80,568)
Board of Directors' remuneration paid		**(78,600)**	(60,000)
Net cash generated from operating activities		**3,796,607**	3,501,292
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,059,055)**	(1,257,434)
Proceeds from sale of property, plant and equipment		**4,294**	-
Dividends income received		**53,250**	54,695
Payment for acquisition of subsidiaries	6	**(5,449,365)**	-
Net cash used in investing activities		**(6,450,876)**	(1,202,739)
Cash flows from financing activities			
Proceeds from borrowings		**6,000,000**	3,000,000
Repayment of borrowings		**(502,837)**	-
Finance costs paid		**(95,919)**	(27,460)
Dividends paid		**(5,045,040)**	(5,045,040)
Net cash generated from / (used in) financing activities		**356,204**	(2,072,500)
Effect of foreign currency translation		**(1,167)**	5,449
Net (decrease) / increase in cash and cash equivalents		**(2,299,232)**	231,502
Cash and cash equivalents at beginning of the period		**2,608,676**	775,279
Cash and cash equivalents at end of the period	9	**309,444**	1,006,781

The accompanying notes set out on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

1. GENERAL INFORMATION

Al Kout Industrial Projects Company K.P.S.C. ("the Parent Company") is a public shareholding company incorporated under the laws of the State of Kuwait on 28 December 1993, and is listed on the Kuwait Stock Exchange.

The address of the Parent Company's registered office is P.O. Box, 10277, Shuaiba 65453, State of Kuwait.

The principal activities of the Group are as follows:

- Production of chlorine and salt, steel drums to fill soda solid and other petrochemical products (after approval of Public Authority for Industry).
- Transport Company's products inside and outside the State of Kuwait according to Company's objectives.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside Kuwait.
- Acquisition of movables and properties necessary for the parent company to practice its activities pursuant to the limits prescribed by law.
- Investing surplus funds in portfolios managed by specialized financial companies.
- The parent company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Group achieve its objectives inside Kuwait and abroad. The parent company may also purchase such entities or affiliate them.

The interim condensed consolidated financial information of the Group for the six month period ended 30 June 2018 were authorized for issue in accordance with a resolution by the Board of Directors' of the Parent Company on 14 August 2018.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting (IAS 34)". It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, and any public announcements made by Group during the interim reporting period. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the most recent annual audited consolidated financial statements for the year ended 31 December 2017 except as mentioned below in note 3.2 arising from the adoption of IFRS 9.

2. BASIS OF PREPARATION (CONTINUED)

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- FRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Basis of consolidation

This interim condensed consolidated financial information for the six month period ended 30 June 2018 includes the Parent Company and its subsidiaries. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-Group balances and transactions, and any realized gains arising from intra-Group transactions, are eliminated in preparing this interim condensed consolidated financial information.

Details of subsidiaries are as follows:

	Ownership %				
Company's name	30 June 2018	31 December 2017	30 June 2017	Country of incorporation	Principal activities
Al Kout Logistics and Transport Company W.L.L.*	99.5 %	99.5 %	99.5 %	Kuwait	Transportation services
Al Kout Petrochemical Products Company W.L.L.*	80 %	80 %	80 %	Kuwait	Blending of chemical products
Al Kout Industrial Projects Holding Company L.L.C.	100 %	100 %	100 %	Bahrain	Investment activities
Safewater Chemicals L.L.C.*	99 %	99 %	99 %	United Arab Emirates	Manufacture of Chlor Alkali products
United Materials General Trading Company W.L.L. and its Subsidiaries*	99 %	-	-	Kuwait	Blending of chemical products
CISCO Trading Company W.L.L.	100%	-	-	Kuwait	Blending of chemical products
Safwan Enviro-Chem Technologies Company W.L.L.	100%	-	-	Kuwait	Blending of chemical products

* The remaining ownership interest in the above subsidiaries is held within the Group.

On 11 January 2018, the Group acquired 100% of United Materials General Trading Company W.L.L. and its Subsidiaries a privately owned group which operates in bledning of chemical products (note 6).

3. Changes in accounting policies

Management has assessed the effects of applying IFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements and has identified that there was no significant impact on revenue for the period. This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Group's consolidated financial statements.

3.1 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 3.2 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings and associate's reserve as at 1 January 2018 is as follows:

Closing share of an associate's reserves at 31 December 2017	**304,072**
Recording Group's share in the associate's reserves impact on adoption of IFRS 9	(3,007,456)
Opening share of an associate's reserves on 1 January 2018	**(2,703,384)**
Closing retained earnings at 31 December 2017	**11,549,034**
Reclassify investments from available-for-sale to at fair value through profit or loss	(162,097)
Increase in provision for trade receivables	(122,286)
Recording the Group's share in the associate's impact on adoption of IFRS 9	259,843
Opening retained earnings on 1 January 2018	**11,524,494**

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets at 1 January 2018	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income (Available-for-sale 2017)**
Closing balance 31 December 2017 – IAS 39	**-**	**1,569,347**
Reclassify investments from available-for-sale to at fair value through profit or loss	1,569,347	(1,569,347)
Opening balance 1 January 2018 - IFRS 9	**1,569,347**	**-**

3. Changes in accounting policies (Continued)

3.1 IFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Classification and measurement (continued)

The impact of these changes on the Group's equity is as follows:

	Effect on available for sale reserve	Effect on retained earnings
Opening balance – IAS 39	**(162,097)**	**11,549,034**
Reclassify investments from available-for-sale to at fair value through profit or loss	162,097	(162,097)
Opening balance - IFRS 9	-	**11,386,937**

(a) Reclassification from available-for-sale to FVPL
An investment in equity shares were reclassified from available-for-sale to financial assets at FVPL with an amount of KD 1,569,347. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value losses of KD 162,097 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. In the six months to 30 June 2018, net fair value loss of KD 137,686 relating to this investment were recognised in profit or loss.

(ii) Impairment of financial assets
The Group has one type of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables.

The Group was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 3.1 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined for trade receivables as follows:

1 January 2018	**Current**	**Up to 60 days past due**	**Up to 90 days past due**	**Up to 180 days past due**	**Up to 360 days past due**	**LC / Guarantee Sales**	**Total**
Gross carrying amount	1,319,477	1,194,544	938,315	1,029,710	1,124,993	800,498	6,407,537
Expected loss rate	0.25%	0.31%	0.39%	1.39%	8.65%	0.00%	
Loss allowance	**3,299**	**3,703**	**3,659**	**14,313**	**97,312**	-	**122,286**

3. Changes in accounting policies (Continued)

3.1 IFRS 9 Financial Instruments – Impact of adoption (Continued)

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables
At 31 December 2017 – calculated under IAS 39	-
Amounts restated through opening retained earnings	122,286
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**122,286**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

(ii) Recording Group's share in the associate's impact on adoption of IFRS 9

The effect of adopting IFRS 9 on the carrying amounts of the associate's financial assets at 1 January 2018 is described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the associate's financial assets as at 1 January 2018.

3. Changes in accounting policies (Continued)

3.1 IFRS 9 Financial Instruments – Impact of adoption (Continued)

(iii) Recording Group's share in the associate's impact on adoption of IFRS 9 (Continued)

Financial assets	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New Carrying amount under IFRS 9	Impact on adoption of IFRS 9	Group's share in the associate's impact on adoption of IFRS 9
Equity securities	a	FVTPL	FVOCI	1,346,491	1,346,491	(6,858,635)	(2,491,834)
Equity securities	b	Available-for-sale	FVOCI	3,438,207	3,438,207	(1,558,001)	(516,360)
Trade and other receivables (excluding advances to suppliers and prepayments)	c	Loans and receivables	Amortised cost	12,176,035	10,255,456	1,920,579	729,628
Contracts in progress	c	Loans and receivables	Amortised cost	7,483,801	5,922,163	1,561,638	593,266
Due from related parties	c	Loans and receivables	Amortised cost	5,204,493	1,452,304	3,752,189	1,425,457
Bank balances and cash		Loans and receivables	Amortised cost	2,545,004	2,545,004	-	-
Total				**32,194,031**	**24,959,625**	**(1,182,230)**	**(259,843)**

(a) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. At 1 January 2018, as a result of adoption of IFRS 9, the associate has made an irrevocable election to recognise changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the associate considered this to be more relevant.

(b) These equity securities represent investments that the associate intends to hold for long term for strategic purposes. As permitted by IFRS 9, the associate has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(c) Trade and other receivables (excluding advances to suppliers and prepayments), contracts in progress, and due from related parties, that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 1,920,579, KD 1,561,638,and KD 3,752,189 respectively in the allowance for impairment over these financial assets was recognised in opening accumulated losses at 1 January 2018 on transition to IFRS 9.

3. Changes in accounting policies (Continued)

3.2 IFRS 9 Financial Instruments – Accounting policies from 1 January 2018

(i) Investments and other financial assets

Classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment
For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4. JUDGMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5. INVESTMENT IN AN ASSOCIATE

Name of associate	Principal activity	Place of incorporation	Ownership interest %		
			30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Al Dorra Petroleum Services Company K.S.C. (Closed) (Al Dorra)	Petroleum services to oil and gas sector	Kuwait	37.99%	37.99%	37.99%

The carrying amount of investment in associate has changed as follows in the six months to June 2018:

	Carrying amount		
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Beginning of the period / year	**9,432,875**	8,936,918	8,936,918
Impact on adoption of IFRS 9 on retained earnings	**(2,747,613)**	-	-
Share of results in period / year	**184,982**	474,894	147,848
Share of asscoaite's reserve in period / year	**12,178**	21,063	-
	6,882,422	9,432,875	9,084,766

6. BUSINESS COMBINATION

On 11 January 2018, the Group has acquired 100% of the issued share capital of United Materials General Trading Company W.L.L. and its Subsidiaries, its principal is blending of chemical products.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchas consideration	
Cash paid	7,410,737
Total purchase consideration	**7,410,737**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash	1,961,372
Trade receivables and other debits balances	1,344,025
Property and equipment	137,598
Inventories	760,154
Trade payables and other credit balances	(1,025,073)
Post-employment benefits	(201,904)
Bank Borrowings	(502,837)
Net identifable assets acquired	**2,473,335**
Add: goodwill	4,937,402
Net assets acquired	**7,410,737**

The goodwill is attributable to the workforce and the high profitability of the acquired business.

6. BUSINESS COMBINATION (CONTINUED)

The acquired business contributed revenues of KD 4,257,267 and net profit of KD 473,353 to the Group for the period from 11 January 2018 to 30 June 2018.

Purchase consideration – cash outflow

	2018
Outflow of cash to acquire subsisdaries, net of cash acquired	
Cash consideration	7,410,737
Less: Bank balances acquired	(1,961,372)
Net outflow of cash – investing activities	**5,449,365**

7. INVENTORIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Finished goods	**246,353**	292,494	240,290
Raw Materials	**1,586,427**	241,240	487,137
Spare parts	**990,266**	960,771	1,046,485
Total	**2,823,046**	1,494,505	1,773,912

8. TRADE AND OTHER RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Trade receivables	**7,867,849**	6,407,537	7,835,802
Discount	**(196,380)**	(168,191)	(154,273)
Provision for impairment	**(122,286)**	-	-
	7,549,183	6,239,346	7,681,529
Prepayments	**303,615**	209,583	237,015
Advance to suppliers	**1,013,732**	354,829	715,474
Others	**269,403**	199,448	142,867
	9,135,933	7,003,206	8,776,885

9. Cash and cash equivalents

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Cash on hand	**16,949**	12,395	10,586
Cash at banks	**639,597**	2,596,281	1,226,329
Cash and bank balances	**656,546**	2,608,676	1,236,915
Less: bank overdraft	(347,102)	-	(230,134)
Cash and cash equivalents	**309,444**	2,608,676	1,006,781

Bank overdraft is obtained from a local bank and carries an effective interest rate of 0.75% to 1% per annum over Central Bank discount rate and is unsecured.

10. SHARE CAPITAL

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Authorised, issued and fully paid:			
100,900,800 shares of nominal value of 100 fils each paid in cash (31 December and 30 June 2017: 100,900,800)	10,090,080	10,090,080	10,090,080

11. TRADE AND OTHER PAYABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Trade payables	**2,395,042**	1,188,081	1,828,209
Advance from customers	**116,327**	131,107	62,505
Accrual expenses	**1,127,757**	1,277,273	1,057,171
Tax payable	**375,179**	441,758	324,354
	4,014,305	3,038,219	3,272,239

12. Borrowings

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Murabaha facility	**5,000,000**	-	3,000,000
Term loan	**1,000,000**	-	1,000,000
	6,000,000	-	4,000,000

Murabaha facility obtained from a local bank and carry a profit rate of 3.50% (31 December 2017: nil and 30 June 2017: 3.25%) per annum.

Term loan obtained from a local bank and carry effective interest rate of 3.75% (31 December 2017: nil and 30 June 2017: 3.5%) per annum.

13. Breakdown of expenses by nature

	Three months ended 30 June		**Six months ended 30 June**	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Changes in inventories of finished goods and work in progress	**67,619**	171,557	**62,596**	138,007
Raw materials and consumables used	**3,283,788**	1,148,141	**5,345,844**	2,137,239
Salaries and other direct employee allowances	**951,633**	1,085,348	**2,073,512**	1,981,688
Depreciation	**748,038**	803,905	**1,576,241**	1,604,171
Rent expense	**145,843**	103,050	**223,979**	166,924
Bad debt expense	**30,487**	-	**30,487**	-
Consultancy fees	**78,372**	8,958	**88,257**	8,958
Others	**508,350**	704,212	**1,119,440**	1,348,111
	5,814,130	4,025,171	**10,520,356**	7,385,098

14. Other income

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Loss on sale of plant, property and equipment	**(906)**	-	**(1,875)**	-
Dividend income	**53,250**	54,695	**53,250**	54,695
Others	**55,207**	22,156	**86,052**	73,712
	107,551	76,851	**137,427**	128,407

15. EARNINGS PER SHARE

Earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding for the period:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Profit for the period	**1,566,123**	1,980,251	3,668,319	3,741,789
Weighted average number of shares outstanding during the period	**100,900,800**	100,900,800	**100,900,800**	100,900,800
Earnings per share (basic and diluted) (fils)	**15.52**	19.63	**36.36**	37.08

16. RELATED PARTY TRANSACTIONS

Related parties represent shareholders that have representation in the Parent Company's Board of Directors and their close relatives, directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Parent Company's management and at an arm's length term.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Key management compensation				
Salaries and other short term benefits	**134,737**	106,728	**227,183**	217,727
Executive committee fees	**15,000**	15,000	**30,000**	30,000
Termination benefits	**13,905**	15,799	**23,224**	29,038
	163,642	137,527	**280,407**	276,765

17. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The management has grouped the Group's products and services into the following operating segments:

- Chlor Alkali
- Petrochemical products
- Logistics and Transport
- Investments.

a. Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

	Three months ended 30 June (Unaudited)			
	2018	2017	**2018**	2017
	Revenue		**Results**	
Chlor Alkali	**4,145,064**	5,225,990	**1,652,241**	2,424,649
Petrochemical products	**3,069,164**	536,678	**616,456**	27,281
Logistics and transport	**13,351**	131,387	**437**	180,852
Investments	**-**	-	**189,460**	194,926
	7,227,579	5,894,055	**2,458,594**	2,827,708
Other income			**107,551**	76,851
Unallocated expenses			**(1,000,022)**	(924,308)
Profit for the period			**1,566,123**	1,980,251

	Six months ended 30 June (Unaudited)			
	2018	2017	**2018**	2017
	Revenue		**Results**	
Chlor Alkali	**9,331,432**	9,728,654	**4,418,360**	4,743,783
Petrochemical products	**4,925,637**	994,682	**1,079,263**	58,420
Logistics and transport	**42,960**	316,505	**2,511**	208,620
Investments		-	**238,232**	202,543
	14,300,029	11,039,841	**5,738,366**	5,213,366
Other income			**137,427**	128,407
Unallocated expenses			**(2,207,474)**	(1,599,984)
Profit for the period			**3,668,319**	3,741,789

	Three months ended 31 March (Unaudited)			
	2018	2017	**2018**	2017
	Purchases of property, plant and equipment		**Depreciation**	
Chlor Alkali	**560,273**	759,931	**(705,413)**	(721,186)
Petrochemical products	**3,164**	-	**(15,924)**	(468)
Logistics and transport	**103,353**	47,860	**(76,701)**	(82,252)
	666,790	807,791	**(798,038)**	(803,906)

17. SEGMENT INFORMATION (CONTINUED)

a. Segment revenue and results (continued)

	Six months ended 30 June (Unaudited)			
	2018	2017	**2018**	2017
	Purchases of property, plant and equipment		**Depreciation**	
Chlor Alkali	**955,635**	1,034,868	**(1,386,789)**	(1,441,481)
Petrochemical products	**22,693**	-	**(31,388)**	(936)
Logistics and transport	**80,727**	222,566	**(158,064)**	(161,755)
	1,059,055	1,257,434	**(1,576,241)**	(1,604,172)

b. Segment assets and liabilities

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Segment assets			
Chlor Alkali	**27,547,395**	24,649,017	26,106,873
Petrochemical products	**3,819,248**	267,042	1,052,621
Logistics and transport	**1,329,559**	1,711,046	1,690,479
Investments	**8,314,083**	11,002,222	10,832,528
Total consolidated segment assets	**41,010,285**	37,629,327	39,682,501
Segment liabilities			
Chlor Alkali	**10,351,040**	4,264,107	8,557,528
Petrochemical Products	**1,952,920**	379,873	494,611
Logistics and transport	**290,630**	342,357	288,335
Total consolidated segment liabilities	**12,594,590**	4,986,337	9,340,474

c. Geographical segments

The following is a geographical analysis based on location of the Group's revenue:

	Three months ended 30 June		**Six months ended 30 June**	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
Kuwait and Middle East	**6,483,135**	4,965,137	**12,514,933**	9,714,357
Europe and Africa	**721,980**	853,822	**1,697,832**	1,149,116
Asia	**22,464**	75,096	**87,264**	176,368
Total consolidated segment revenue	**7,227,579**	5,894,055	**14,300,029**	11,039,841

18. COMMITMENTS AND CONTINGENT LIABILITIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Capital commitments			
For the acquisition of property, plant and equipment	**638,401**	881,855	425,933
Contingent liabilities			
Letters of guarantee	**3,579,806**	2,567,844	3,069,612
Letters of credit	**1,274,944**	406,632	-
	4,854,750	2,974,476	3,069,612

Operating lease commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2017 (Unaudited)
Not later than one year	**38,710**	118,478	110,596
Later than one year but not later than five years	**167,603**	478,662	213,571

19. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly meeting of shareholders held on 29 April 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017, and approved a cash dividend equivalent to 50% of the paid up share capital for the year ended 31 December 2017 (2016: 50%) to the shareholders of record as of the date of the Annual General Assembly.